

✓BKK

FILED

2005 APR 27 A 7:44

PUBLIC UTILITIES  
COMMISSION

BEFORE THE  
PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
 )  
HAWAIIAN ELECTRIC COMPANY, INC. )  
 )  
For Approval of Rate Increases and )  
Revised Rate Schedules and Rules, and for )  
Approval and/or Modification of Demand- )  
Side and Load Management Programs and )  
Recovery of Program Costs and DSM Utility )  
Incentives. )  
 )

DOCKET NO. 04-0113

DEPARTMENT OF DEFENSE'S SIXTH  
SUBMISSION OF INFORMATION REQUESTS  
TO HAWAIIAN ELECTRIC COMPANY, INC.

AND

CERTIFICATE OF SERVICE

\_\_\_\_\_

RANDALL Y.K. YOUNG  
Associate Counsel (Code 09C)  
Naval Facilities Engineering Command, Pacific  
258 Makalapa Drive, Suite 100  
Pearl Harbor, HI 96860-3134  
Telephone (808) 474-5514

ATTORNEY FOR  
DEPARTMENT OF DEFENSE


BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of	)	
	)	
HAWAIIAN ELECTRIC COMPANY, INC.	)	DOCKET NO. 04-0113
	)	
For Approval of Rate Increases and	)	
Revised Rate Schedules and Rules, and for	)	
Approval and/or Modification of Demand-	)	
Side and Load Management Programs and	)	
Recovery of Program Costs and DSM Utility	)	
Incentives.	)	
	)	

DEPARTMENT OF DEFENSE'S SIXTH  
SUBMISSION OF INFORMATION REQUESTS  
TO HAWAIIAN ELECTRIC COMPANY, INC.

COMES NOW, DEPARTMENT OF DEFENSE ("Applicant") by and through its undersigned attorney, and hereby submits its Sixth Submission of Information Requests to Hawaiian Electric Company, Inc. ("HECO").

DATED: Honolulu, Hawaii, April 27 2005.

  
\_\_\_\_\_  
RANDALL Y.K. YOUNG  
Associate Counsel (Code 09C)  
Naval Facilities Engineering Command, Pacific  
258 Makalapa Drive, Suite 100  
Pearl Harbor, HI 96860-3134  
Telephone (808) 474-5514

ATTORNEY FOR  
DEPARTMENT OF DEFENSE

DOCKET NO. 04-0113  
DEPARTMENT OF DEFENSE'S SIXTH  
SUBMISSION OF INFORMATION REQUESTS  
TO HAWAIIAN ELECTRIC COMPANY, INC.  
INSTRUCTIONS

In order to expedite and facilitate Department of Defense's review and analysis in the above matter, the following is requested:

1. For each response, HECO should identify the person who is responsible for preparing the response as well as the witness who will be responsible for sponsoring the response should there be an evidentiary hearing;
2. Unless otherwise specifically requested, for applicable schedules or workpapers, HECO should provide hard copies of each schedule or workpaper together with one copy of each such schedule or workpaper on electronic media in a mutually agreeable format (e.g., Excel and Quattro Pro, to name two examples); and
3. When an information request makes reference to specific documentation used by HECO to support its response, it is not intended that the response be limited to just the specific document referenced in the request. The response should include any non-privileged memoranda, internal or external studies, assumptions, HECO instructions, or any other relevant authoritative source which HECO used.
4. Should HECO claim that any information is not discoverable for any reason:
  - a. State all claimed privileges and objections to disclosure;
  - b. State all facts and reasons supporting each claimed privilege and objection;

- c. State under what conditions HECO is willing to permit disclosure to Department of Defense (e.g., protective agreement, review at business offices, etc.); and
  - d. If HECO claims that a written document or electronic file is not discoverable, besides complying with subparagraphs 4(a-c), identify each document or electronic file, or portions thereof, that HECO claims are privileged or will not be disclosed, including the title or subject matter, the date, the author(s) and the addressee(s).
5. Please provide each response in electronic format (if available) as well as paper. Please provide two copies of each response, with one copy going directly via overnight delivery to Department of Defense's consultant at the following address:

Mr. Ralph Smith  
Larkin & Associates  
15728 Farmington Road  
Livonia, MI 48154  
Telephone No.: 734-522-3420  
E-mail: RSmithLA@aol.com

and the other copy going directly via overnight delivery to:

Dr. Kay Davoodi  
Utilities Rates and Studies Office  
NAVFAC Washington  
1314 Harwood Street, S.E.  
Washington Navy Yard, DC 20374-5018  
Telephone No.: 702-685-3319  
E-mail: Khojasteh.Davoodi@navy.mil

DEPARTMENT OF DEFENSE'S FIFTH SUBMISSION OF INFORMATION  
REQUESTS TO HAWAIIAN ELECTRIC COMPANY, INC.

DOCKET NO. 04-0113

The following information requests are directed to HECO.

DOD/HECO-IR-6-1 O&M Overhaul Projects. Refer to the 4/21/05 revised response to CA-IR-43, page 6.

- a. For each of the projects in the "Revised 4/05 Sch 2005 Projected" column, please indicate the likelihood that the project will not be completed in 2005.
- b. For each of the projects in the "Revised 4/05 Sch 2005 Projected" column, please indicate the actual start date and estimated completion time for all projects that have commenced as of the date of your response.
- c. For each of the projects in the "Revised 4/05 Sch 2005 Projected" column that have not yet commenced, please indicate the estimated start date and estimated completion time.
- d. For each of the projects in the "Revised 4/05 Sch 2005 Projected" column, please provide a breakout of the cost between (1) HECO straight time labor; (2) HECO overtime labor; (3) materials; and (4) other. Please also quantify and explain the items included in "other."
- e. Note I indicates that the Waiau 10 revised amount was estimated based on Waiau 9 actuals, but the amount for Waiau 10 is greater than Waiau 9. Provide the Waiau 9 actual cost, and identify the amount incurred in each year.
- f. Does the cost for Waiau 9 include repair of the "catastrophic failure of a blade in the 17 stage combustion turbine compressor section" that was mentioned in the response to CA-IR-438(a)? If so, please quantify the cost related to the catastrophic blade failure. If an exact amount is not available, provide HECO's best estimate.
- g. Does the HECO estimate for Waiau 10, which is based on the "actual" amount for Waiau 9, essentially include cost for a catastrophic blade failure? Explain fully why or why not.

- h. Does the \$2,036,000 for Waiau 6 Overhaul reflect the actual completed cost (project to be complete 4/17/05)? If not, what is the actual completed cost, and why is it different from the \$2,036,000.

DOD/HECO-IR-6-2 Actual Plant Additions, Wal-Mart Sam's Keeaumoku. Refer to CA-IR-521. Please indicate whether and how the 2005 test year filed by HECO reflects each of the following amounts, and if not, identify what amounts have been reflected by HECO for this project:

- a. \$84,000 for remaining phase deferred to July 2006.
- b. \$1.804 million estimated cost for entire project.
- c. \$557,000 in-kind contribution estimated to be recorded in 2005.

DOD/HECO-IR-6-3 CIS Expense. Refer to CA-IR-555(b).

- a. Explain fully why the \$251,000 project cost for this item is not being capitalized or deferred as are the other costs for the CIS replacement project.
- b. Explain what "on costs" are.

DOD/HECO-IR-6-4 Lost margin and shareholder incentives. Refer to CA-IR-304.

- a. Explain fully and document how HECO's proposals in the current case are consistent with the statement made repeatedly in HECO's SEC filings that: "Under the agreement, HECO will cap the recovery of lost margins and shareholder incentives if such recovery would cause HECO to exceed its current authorized return on rate base."
- b. Explain fully and document how HECO's accounting for lost margins and shareholder incentives since October 2001 through the present consistent with the statement made repeatedly in HECO's SEC filings that: "Under the agreement, HECO will cap the recovery of lost margins and shareholder incentives if such recovery would cause HECO to exceed its current authorized return on rate base."
- c. Explain fully and document how HECO's proposals in the current case are consistent with the statement made repeatedly in HECO's SEC filings that: "HECO also agrees it will not pursue the continuation of lost margins recovery through a surcharge mechanism or shareholder incentives in future rate cases."
- d. Has HECO included any amount for "lost margins" in its 2005 test year revenue requirement determination? If so, please identify the amount and show in detail how it was calculated.

- e. Has HECO included any amount for "shareholder incentives" in its 2005 test year revenue requirement determination? If so, please identify the amount and show in detail how it was calculated.
- f. Please explain fully how the IRP Clause mentioned in response to CA-IR-310(a) is not a surcharge mechanism.

DOD/HECO-IR-6-5 Provide the date when HECO intends to submit "a comprehensive update of HECO's 2005 test year costs" mentioned in response to CA-IR-441.

- a. To the extent that any updates are currently known, provide a listing and quantifications of all known updates that HECO intends to make.

DOD/HECO-IR-6-6 T-6, Power Supply Non-Labor Estimates. Refer to CA-IR-182, pages 3-4.

- a. Other than the \$8,000 in 2002, was there any Technical Assessment of the Company's various cathodic protection systems in 2002, 2003 or 2004? If so, what was the cost for this in each year? If not, explain fully why not.
- b. Provide the documentation for the \$150,000 for Cathodic Protection in items I and L on CA-IR-182, page 3. This includes the documentation relied upon for the "2005 estimate based on Staff experience."
- c. Provide the documentation for the \$400,000 non-recurring H9 Blr Chem Clean on CA-IR-182, page 4 (item N on page 3).
- d. Has the non-recurring Kahe fuel tank maintenance (CA-IR-182, page 3, item K) commenced? If so, please identify the date this work commenced and the cost incurred to date. If not, when is it expected to commence and when is it expected to be completed?
- e. Does the non-recurring cost for K 1/6 structural painting (item G) have a benefit that extends beyond 2005? If so, please identify the useful life of such structural painting.
- f. For item B, City Water, please show exactly how the \$228,000 for 2005 was estimated based on the historical expenditures listed for 2002 through 2004 for this item.
- g. For item C, Wastewater Chem, please show exactly how the \$81,600 for 2005 was estimated based on the historical expenditures listed for 2002 through 2004 for this item.
- h. For item P, Honolulu Harbor Fees, please identify the amount that was accrued in 2001 that covered the four-year period 2001 through 2004.

- i. For item P, Honolulu Harbor Fees, HECO states that the net expense in 2002-2004 was zero. What was the average expense for 2001 through 2004? Please show by year, in total, and the average.
- j. For item P, Honolulu Harbor Fees, please provide the invoices, assessments or billings for 2005.
- k. For item P, Honolulu Harbor Fees, did HECO record a negative expense of \$145,658 in 2003? If not, please explain why negative \$145,658 is shown for this item for 2003.

DOD/HECO-IR-6-7 Labor hours. Refer to CA-IR-48, page 9. Please provide comparative information for actual 2005 year-to-date through April 30, 2005.

DOD/HECO-IR-6-8 Production O&M Staffing. Refer to CA-IR-48, page 16.

- a. Please confirm that no net positions were added between 12/31/04 and 2/28/05 (both show totals of 310). If this is not the case, explain fully.
- b. What is the comparable Production O&M Staffing number to the 310 shown on page 16 as of 4/30/2005?

DOD/HECO-IR-6-9 Test Year Fuel Related Expense and Pipeline Charges. Refer to CA-IR-132 and 136

- a. Do the revisions indicated on pages 8 and 22 of CA-IR-132, reduction to Kahe Pipeline charges from \$783,000 to \$617,000 represent HECO's final 2005 amounts for this expense? If not, what other changes will be made to 2005 Kahe pipeline charges.
- b. Do the revisions indicated on page 5 of CA-IR-136, reduction for new fee structure for Barbers Point Tank Farm Services Agreement from \$1,637,000 to \$942,000 represent HECO's final 2005 amounts for this expense? If not, what other changes will be made to 2005 Barbers Point Tank Farm charges.
- c. Do the revisions indicated on pages 8 and 22 of CA-IR-132, reduction to Test Year Related Fuel Expense from \$4,554,000 to \$3,882,000 represent HECO's final 2005 amounts for Test Year Fuel Related Expense? If not, what other changes will be made to 2005 Test Year Fuel Related Expense?
- d. Please confirm that, per CA-IR-136 page 10, there is no Tank cleaning, bottom inspection, recoating or repair scheduled for the 2005 test year, and the 11-year inspection cycle, last done in 1995-1997, would resume in 2006-2008.



- e. Refer to CA-IR-136 page 10. Based on its normalization accounting, did HECO record any Tank cleaning, bottom inspection, recoating or repair expense in any year, 1998 through 2004? If so, please provide the amounts recorded in each year.
- f. Refer to CA-IR-136 page 10. Were the amounts listed for each year, 1995, 1996 and 1997 respectively expensed by HECO in those years? If not, explain fully and show the accounting that HECO used on its books to spread these amounts over a different period.

DOD/HECO-IR-6-10 Fuel trucking expense, T-4. Refer to CA-IR-137, page 3. Provide the actual expense by month from January 2005 through the present for trucking of LSFO from BPTF to HECO's Iwilei Storage Facility. Also, for each month, please indicate the quantities of fuel trucked.

DOD/HECO-IR-6-11 Petrospect fuel inspection charge. Refer to CA-IR-140.

- a. Provide HECO's total payments to Petrospect in 2004.
- b. Provide the 2004 diesel consumption in barrels.
- c. Provide the 2004 LSFO consumption in barrels.
- d. Provide HECO's total payments to Petrospect in 2005 through April 30.
- e. Provide the 2005 diesel consumption in barrels through April 30..
- f. Provide the 2005 LSFO consumption in barrels through April 30.

DOD/HECO-IR-6-12 Amortizations. Refer to CA-IR-184. What is the remaining unamortized balance for the Kahe 7 amortization as of 12/31/04, and as projected for 12/31/05?

DOD/HECO-IR-6-13 T-6, Admin/Planning Non-Labor Expense Estimates. Refer to CA-IR-184. Cost for study of purchasing power from tolling arrangements.

- a. Provide the contract for the \$75,000 consultant to perform the study of purchasing power from tolling arrangements.
- b. Provide the costs incurred to date for the consultant to perform the study of purchasing power from tolling arrangements.
- c. What future period, if any, does HECO anticipate would be benefited by the study of purchasing power from tolling arrangements.
- d. When will the study of purchasing power from tolling arrangements be completed?

- e. Over what period does HECO anticipate that the results of the study of purchasing power from tolling arrangements would remain valid?

DOD/HECO-IR-6-14 T-6, Admin/Planning Non-Labor Expense Estimates. Refer to CA-IR-184. Cost for Competitive Bidding Docket.

- a. Did HECO expense in 2004 the legal and consulting fees it incurred in 2004 for the Competitive Bidding Docket, Docket 03-0372? If not, show how HECO accounted for such costs in 2004.
- b. Provide the contract and/or agreement HECO has with the consultant for whom HECO incurred consulting fees for the Competitive Bidding Docket.
- c. When will the Competitive Bidding Docket be completed?
- d. When did HECO begin incurring cost for Docket 03-0371?
- e. What amount did HECO incur in 2004 for Docket 03-0371 and how does that compare to the amount that HECO budgeted for Docket 03-0371 in 2004?
- f. Is it possible or likely that some of the \$75,000 HECO included in 2005 for the Competitive Bidding Docket would not be incurred during 2005? If not, explain fully why not.

DOD/HECO-IR-6-15 Electronic Shock Absorber. Refer to CA-IR-185.

- a. How much royalty payments does HECO anticipate receiving in each year, starting with the 2005 test year and continuing for each year until HECO anticipates filing its next rate case?
- b. How much royalty payments has HECO reflected in its 2005 test year filing, and exactly where, in what account and in what amount have such royalty payments been reflected?
- c. How did HECO account for the costs it incurred to file and receive a patent for the Electronic Shock Absorber? (Show all amounts and the account(s) in which they were recorded.)

DOD/HECO-IR-6-16 Account 511, Maintenance of Structures. Refer to CA-IR-188, page 4.

- a. Why does HECO show \$850,000 for 2005 for PIP Planning for Construction Projects, and no amount for this in any prior year?
- b. Did HECO include the \$850,000 for 2005 for PIP Planning for Construction Projects as a 2005 test year expense in Account 511? If

so, please explain how this is an expense. If not, explain exactly how HECO treated this item in its filing.

- c. Why is the 2005 budget for PIN – Honolulu Maintenance so much higher than any year in the 1999-2004 comparative period shown? Explain in detail.
- d. Why is the 2005 budget for PIP Planning “265 Maint Common Struct-Corr” so much higher than any year in the 1999-2004 comparative period shown? Explain in detail.

DOD/HECO-IR-6-17 Production Department Discretionary Projects. Refer to CA-IR-244.

- a. Has HECO included in its filing as Production O&M Expense all items listed on pages 2-3 of the response, which total \$4,960,300? If not, please identify which items on the list were not included as expense in HECO’s filing.
- b. Please provide the corresponding Production Priority Lists from each year 2000-2004.
- c. On the Production Priority Lists from years 2000-2004 provided in response to part b, please indicate on each year’s list, all of the projects which were on the year’s list but which were not selected for implementation in that year.

DOD/HECO-IR-6-18 Rent Expense. Refer to CA-IR-260.

- a. For the King Street capital lease, please provide a schedule that shows the corresponding monthly rate base amounts for the remainder of the lease term.
- b. Please show for the remaining months of the King Street lease, the monthly payments that correspond to the \$67,275 per month shown on CA-IR-260, page 4 of 5.
- c. Is there any expense in HECO’s filing for King Street rent in 2005 prior to May 2005? If so, please identify the amounts of such rent for January through April 2005. If not, please explain fully how the January through April 2005 portion of the test year did not have any King Street rent.
- d. Provide all prior Commission decisions of which HECO is aware that addressed the ratemaking treatment of a capital lease.
- e. By attempting to rate base the King Street lease, isn’t HECO increasing the revenue requirement to ratepayers? If not, explain fully and show in detail how HECO’s proposed treatment does not increase

the revenue requirement in this proceeding to ratepayers above what would result from reflecting the monthly lease payments.

- f. Provide all Commission authority that HECO is relying upon for rate basing the average May 1, 2005 and April 1, 2006 lease obligation amounts for a 2005 test year.
- g. Explain fully why the rate base for a 2005 test year should not be determined by averaging the 12/31/04 and 12/31/05 balances.
- h. For the period 1990 through the present, did HECO have any other capital leases? If so, list each one, and describe in detail how it was treated for ratemaking purposes. Include citations to Commission dockets and decisions for each capital lease.

DOD/HECO-IR-6-19 Software cost. Refer to CA-IR-80.

- a. Is there any cost in the 2005 test year for the \$9.659 million Apprise costs? If so, how much and in what account?
- b. When does the amortization of the \$9.659 million Apprise costs expire?
- c. Did HECO commence amortizing Ellipse costs incurred in 2003 and 2004 prior to 1/1/05? If not, explain fully why not.
- d. CA-IR-80 indicates the Ellipse implementation date was October 2003. Provide a breakout of the Ellipse costs incurred (1) through the October 2003 installation, (2) after the October 2003 installation through 12/31/04; and (3) in 2005. Show the amounts recorded in each account. To the extent that HECO used an amortization, provide the amortization schedule in detail.
- e. For what period does the \$718,000 listed as expense in Account 921 in the response to CA-IR-80 relate? If this amount is for multiple years, show the amounts separately for each year.
- f. Explain why the \$718,000 HECO Account 921 expense in the response to CA-IR-80 is 80% of the grand total amount of \$894,000, but HECO-1309 indicates that 70% of the non-labor Ellipse upgrade cost is the HECO portion. Provide supporting documentation for the 70%.
- g. Refer to HECO-1309. Why is HECO escalating a 2003 amount to 2007 for use with a 2005 test year? Explain fully.
- h. Is the next Ellipse upgrade scheduled for 2007? If not, explain fully.

- i. Refer to the response to CA-IR-261. Please provide the comparable CPI-urban factors from 2003 and 2004.

DOD/HECO-IR-6-20 Technology Entries Expense Estimate. Refer to CA-IR-86.

- a. What is the term of the Southwest Research Institute contract for \$154,794, when will it commence, and how does this relate to the \$100,000 HECO included in the 2005 test year for the Biomass Program?
- b. Identify all EPRI funding that will be used for funding of this project.
- c. Please explain fully the "cost-sharing opportunities in 2005 to support associated projects and/or studies" mentioned on page 3 of the response

DOD/HECO-IR-6-21 CHP. Refer to CA-IR-235. Please provide the adjustment needed to remove all non-utility CHP system costs from 2005 rate base, revenues and operating expenses. Include supporting details.

DOD/HECO-IR-6-22 Technology costs. Refer to CA-IR-235.

- a. Explain what the "NC charges" for EFMS and EBUS refer to.
- b. Explain in detail why the 2005B amounts for "NC charges" for EFMS and EBUS are significantly higher than the corresponding actual amounts for 2002, 2003 and 2004.

DOD/HECO-IR-6-23 Test year work force. Refer to CA-IR-508, page 2. This shows the HECO work force jumping from 1408 at December 2004 to 1497 in January 2005.

- a. On CA-IR-508, page 2, is the December 2004 information actual, and the monthly 2005 information all projected? If not, explain fully.
- b. Please provide corresponding actual work force levels for January through April 2005. Also, to the extent that the actual work force in each month in the January through April 2005 period did not reach the level projected by HECO on CA-IR-508, page 2, please provide a detailed explanation as to why HECO's work force projection in each such month was not realized.

CERTIFICATE OF SERVICE

I hereby certify that one copy of the foregoing SIXTH SUBMISSION OF INFORMATION REQUESTS was duly served upon the following parties, by personal service, hand-delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR sec. 6-61-21(d).

William A. Bonnet  
Vice President, Government and Community Affairs  
Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840


Patsy H. Nanbu  
Director, Regulatory Affairs  
Hawaiian Electric Company, Inc.  
P.O. Box 2750  
Honolulu, Hawaii 96840

Thomas W. Williams, Jr., Esq.  
Peter Y. Kikuta, Esq.  
Goodsill Anderson Quinn & Stifel  
1800 Alii Place  
1099 Alakea Street  
Honolulu, Hawaii 96813

Department of Commerce and Consumer Affairs  
State of Hawaii  
Division of Consumer Advocacy  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813

6 Copies

DATED: Honolulu, Hawaii, April 27, 2005

  
RANDALL Y.K. YOUNG  
Associate Counsel  
Naval Facilities Engineering Command,  
Pacific